



CHINA 33 MEDIA GROUP LIMITED 中國三三傳媒集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8087



First Quarterly Report 2013

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Condensed Consolidated Income Statement

For the three months ended 31 March 2013

FIRST QUARTERLY RESULTS

The unaudited condensed consolidated results of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2013, together with the comparative unaudited figures for the corresponding period in 2012, are as follows:

	Notes	Three months ended 31 March	
		2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
REVENUE	5	42,355	48,831
Cost of sales		(18,415)	(41,336)
Gross profit		23,940	7,495
Other income and gains, net		809	839
Selling and distribution expenses		(13,135)	(12,082)
Administrative expenses		(7,194)	(5,275)
Other operating expenses		–	(1)
Share of profits and losses of:			
A jointly-controlled entity		242	(433)
Associates		(604)	203
PROFIT/(LOSS) BEFORE TAX		4,058	(9,254)
Income tax credit/(expense)	6	(310)	2,625
PROFIT/(LOSS) FOR THE PERIOD		3,748	(6,629)
Attributable to:			
Owners of the Company		3,325	(6,096)
Non-controlling interests		423	(533)
		3,748	(6,629)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic (cents)		RMB0.55	(RMB1.01)
Diluted (cents)		RMB0.55	(RMB1.01)



Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2013

	Three months ended	
	31 March	2012
	2013	(unaudited)
	(unaudited)	(unaudited)
	RMB'000	RMB'000
PROFIT/(LOSS) FOR THE PERIOD	3,748	(6,629)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD:		
Exchange differences on translation of foreign operations	(2,753)	8,187
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	995	1,558
Attributable to:		
Owners of the Company	572	2,091
Non-controlling interests	423	(533)
	995	1,558



Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2013

	Attributable to owners of the Company										
	Issued capital	Share		Treasury shares	Capital reserve	Statutory reserve	Share		Retained profits/ (accumulated loss)	Non-controlling interests	Total equity
		premium account	redemption reserve				Exchange reserve				
		RMB'000	RMB'000				RMB'000	RMB'000			
At 1 January 2012 (audited)	3,969	226,006	(216)	26,239	12,435	7	(4,631)	73,083	336,892	6,983	343,875
Loss for the period	-	-	-	-	-	-	-	(6,096)	(6,096)	(533)	(6,629)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	8,187	-	8,187	-	8,187
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	8,187	(6,096)	2,091	(533)	1,558
Repurchase and cancellation of ordinary shares	(9)	(808)	-	-	-	9	-	(9)	(817)	-	(817)
Net change in treasury shares	(3)	(213)	216	-	-	3	-	(3)	-	-	-
At 31 March 2012 (unaudited)	3,957	224,985	-	26,239	12,435	19	3,556	66,975	338,166	6,450	344,616
At 1 January 2013 (audited)	3,957	224,984	-	26,239	12,788	19	(5,545)	(34,391)	228,051	6,812	234,863
Profit for the period	-	-	-	-	-	-	-	3,325	3,325	423	3,748
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,753)	-	(2,753)	-	(2,753)
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	(2,753)	3,325	572	423	995
At 31 March 2013 (unaudited)	3,957	224,984	-	26,239	12,788	19	(8,298)	(31,066)	228,623	7,235	235,858



Notes to the Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Room 4215, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. During the period, the Group was principally engaged in the operation and provision of advertising services of printed media and audio programmes for railway networks, and outdoor advertising spaces on air traffic control towers at airports, trains and railway stations in Mainland China.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the period ended 31 March 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company's, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an entity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/(accumulated loss), as appropriate.

The condensed financial statements are unaudited but have been reviewed by the audit committee (the "Audit Committee") of the Company.



Notes to the Condensed Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 December 2012.

4. ADOPTION OF NEW AND REVISED IFRSs

In the current period, the Group has adopted a number of new and revised IFRSs, amendments to IASs and Interpretations (hereinafter collectively referred to as "new and revised IFRSs") issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2013. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods/years.

The Group has not early adopted the new and revised IFRSs that have been issued but are not yet effective. The directors anticipate that the application of the new and revised IFRSs will have no material impact on the results and financial position of the Group.

5. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the advertising income, net of business tax.

	Three months ended	
	31 March	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Printed media advertising	28,676	33,061
Outdoor advertising	13,368	13,908
Audio advertising	311	1,862
	42,355	48,831



Notes to the Condensed Consolidated Financial Statements

5. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Audio advertising (unaudited) RMB'000	Total (unaudited) RMB'000
For the three months ended 31 March 2013				
Segment revenue:				
Sales to external customers	28,676	13,368	311	42,355
Segment results	17,742	5,887	311	23,940
<i>Reconciliation:</i>				
Bank interest income				242
Other unallocated income and gains, net				567
Share of profits and losses of:				
A jointly-controlled entity				242
Associates				(604)
Corporate and other unallocated expenses				(20,329)
Profit before tax				4,058
Income tax expense				(310)
Profit for the period				3,748

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Audio advertising (unaudited) RMB'000	Total (unaudited) RMB'000
For the three months ended 31 March 2012				
Segment revenue:				
Sales to external customers	33,061	13,908	1,862	48,831
Segment results	17,967	(12,197)	1,725	7,495
<i>Reconciliation:</i>				
Interest income				836
Other unallocated income and gains, net				3
Share of profits and losses of:				
A jointly-controlled entity				(433)
An associate				203
Corporate and other unallocated expenses				(17,358)
Loss before tax				(9,254)
Income tax credit				2,625
Loss for the period				(6,629)



Notes to the Condensed Consolidated Financial Statements

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (three months ended 31 March 2012: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law, the PRC corporate income tax rate of all the PRC subsidiaries is 25%. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the three months ended 31 March 2013 (three months ended 31 March 2012: Nil).

7. DIVIDENDS

The directors do not recommend the payment of a dividend for the three months ended 31 March 2013 (three months ended 31 March 2012: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit for the period attributable to owners of the Company of RMB3,325,000 (three months ended 31 March 2012: loss of RMB6,096,000) and the weighted average number of ordinary shares of 600,000,000 (three months ended 31 March 2012: 600,827,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the three months ended 31 March 2013 and 2012 as the Group had no potentially dilutive ordinary shares in issue during those periods.



Management Discussion and Analysis

BUSINESS REVIEW

The principal business of the Group during the period included printed media advertising, outdoor advertising and audio advertising. The Group's total revenue for the three months ended 31 March 2013 amounted to approximately RMB42,355,000, representing a decrease of approximately RMB6,476,000 or 13.3% as compared to approximately RMB48,831,000 for the corresponding period last year.

Overall gross profit increased by approximately RMB16,445,000 or 219.4% to approximately RMB23,940,000 for the three months ended 31 March 2013 from approximately RMB7,495,000 for the corresponding period last year. The gross profit margin for the current period increased to 56.5% from 15.3% in the corresponding period last year. The total comprehensive income for the period attributable to owners of the Company amounted to approximately RMB572,000, representing a decrease of approximately 72.6% as compared to approximately RMB2,091,000 for the corresponding period last year.

REVIEW BY SEGMENT

Analysis of revenue, gross profit and gross profit margin by segment is as follows:

	Revenue			Gross Profit			Gross Profit Margin		
	Three months ended			Three months ended			Three months ended		
	31 March			31 March			31 March		
	2013	2012	Change %	2013	2012	Change %	2013	2012	Change %
(unaudited)	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	(unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000		%	%	
Printed media advertising	28,676	33,061	(13.3)	17,742	17,967	(1.3)	61.9	54.3	
Outdoor advertising	13,368	13,908	(3.9)	5,887	(12,197)	(148.3)	44.0	(87.7)	
Audio advertising	311	1,862	(83.3)	311	1,725	(82.0)	100.0	92.6	
Total	42,355	48,831	(13.3)	23,940	7,495	219.4	56.5	15.3	

Printed Media Advertising

Revenue from printed media advertising was the main source of revenue, representing approximately 67.7% of the Group's total revenue. It is expected to remain as the principal source of income in the future. Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals operated by the Group and was recognised upon the publication of the periodicals in which the respective advertisement was placed. "旅伴" (Fellow Traveller) is monthly nation-wide periodicals distributed on all China Railway High-speed ("CRH") trains and selected regular trains in China. Revenue from "旅伴" (Fellow Traveller) was the major source of revenue for the period under review which contributed approximately 99.4% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB4,385,000 or 13.3% from approximately RMB33,061,000 for the three months ended 31 March 2012 to approximately RMB28,676,000 for the three months ended 31 March 2013. The decrease was mainly due to the suspension of publication of "旅客報" (Passengers) and "報林" (Resource) starting from January 2013. Please refer to announcements of the Company dated 7 January 2013 and 23 January 2013 for details of the suspension.



Management Discussion and Analysis

Gross profit from printed media advertising for the three months ended 31 March 2013 amounted to approximately RMB17,742,000, representing a decrease of approximately 1.3% as compared to the corresponding period last year, which was approximately RMB17,967,000. Gross profit margin of printed media advertising increased from approximately 54.3% for the three months ended 31 March 2012 to approximately 61.9% for the three months ended 31 March 2013. The increase in gross profit margin was mainly attributable to the suspension of publication of “旅客報” (Passengers) and “報林” (Resource), which had a lower profit margin than “旅伴” (Fellow Traveller).

Outdoor Advertising

Revenue from outdoor advertising represented the amount generated from sales of advertising spaces on the air traffic control towers at various airports, billboards and LEDs installed at certain selected train stations and advertising on headrest cover sheets, folding tables and poster frames on CRH trains. Revenue from outdoor media advertising decreased by approximately RMB540,000 or 3.9% from approximately RMB13,908,000 for the three months ended 31 March 2012 to approximately RMB13,368,000 for the three months ended 31 March 2013. The decrease was mainly due to the cease of operation on the headrest cover sheets, folding tables and poster frames on certain routes of CRH trains as the advertising rights has expired in February 2013. The above was offset by the increase of billboards and LEDs advertising as a result of the commencement of Harbin-Dalian High-speed Railway in October 2012.

Gross profit from outdoor advertising for the three months ended 31 March 2013 amounted to approximately RMB5,887,000 while it recorded gross loss amounted to approximately RMB12,197,000 for the corresponding period last year. The increase of gross profit was mainly attributed to the full amortisation of agency fee, maintenance fees and media service fees paid for the advertisement project on headrests cover sheets, folding tables and poster frames on CRH trains by the fourth quarter of 2012, which no longer affects the period under review. Gross profit margin of outdoor advertising was 44.0% for the three months ended 31 March 2013 as compared to a gross loss margin of 87.7% for the corresponding period last year.

Audio Advertising

Revenue from audio advertising represented the amount generated from the sales of advertising time slots which was part of the audio advertising produced by the Group for broadcast during train transmission. It is mainly driven by duration of the audio advertisements, the price per standard time slot (i.e. 15 or 30 seconds) and the frequency of broadcast. Revenue from audio advertising decreased by approximately RMB1,551,000 or 83.3% from approximately RMB1,862,000 for the three months ended 31 March 2012 to approximately RMB311,000 for the three months ended 31 March 2013. The decrease was mainly due to the phase-out of audio advertising upon the expiry of existing contract period by March 2013.

Gross profit from audio advertising for the three months ended 31 March 2013 amounted to RMB311,000, representing a decrease of approximately 82.0% as compared to the corresponding period last year, which was RMB1,725,000. Gross profit margin of audio advertising increased from approximately 92.6% for the three months ended 31 March 2012 to 100.0% for the three months ended 31 March 2013.

CONTINGENT LIABILITIES

As at 31 March 2013, the Group did not have any significant contingent liabilities.



Management Discussion and Analysis

PROSPECTS

Looking ahead, the Group will endeavor to maintain the growth of its existing businesses and expand into diversified new businesses. The Group will continue to establish sales offices in different cities in the PRC to expand its sales network, as well as strengthen its sales and advertising teams in order to reinforce its leading position in the printed media on the CRH network in China. Moreover, with the commencement of the four main railway routes, namely Beijing-Shijiazhuang railway, Shijiazhuang-Wuhan railway, Ningbo-Hangzhou railway and Harbin-Dalian railway in the future, the Group will also increase the number of route-specific supplements of its printed media, which will provide a favourable business environment for developing of advertising business on the railway network.

The Group entered into contracts with certain state-owned railway media operators in 2012, and was granted with sole advertising agency rights. As at 31 March 2013, the Group had installed and operated the billboards and LEDs advertisements at 20 selected train stations operated by five railway bureaus, including Harbin-Dalian High-Speed Railway which has just commenced its operation. To date, the Group had installed billboards, LEDs and related facilities at several stations, and had entered into advertising contracts with several customers. These projects will generate revenue to the Group and further strengthen its business coverage. In addition to the advertising business through railway, the Group will continue to identify more advertising spaces on the air traffic control towers at the civil airports that are currently operated by the Group in order to expand the Group's outdoor business.

The Group has developed a diverse advertising platform of printed media, and obtained an exclusive right of operation, production and advertising agency of "東方養生" (Ever Green), a publication distributed on first class cabins of Hainan Airlines and selected hotels in January 2013. Hence, the Group has secured a new media channel for its printed media advertising business. This will also strengthen high-end customer base and provide additional income to the Group. Meanwhile, the Group also endeavored to develop new media business. In order to expand the Group's advertising business to television, the Group cooperated with a directly owned subsidiary of China Central Television ("CCTV"), and obtained the production rights of "地理 • 中國" (Geographic China), one of the programmes of CCTV's Science & Education Channel (CCTV-10). This cooperation will further expand the Group's advertising platforms and customer base. It is expected that this new business can attract high-end advertising customers and generate substantial revenue for the Group in the coming years.

In future, the Group will continue to utilise its competitive advantages in seeking potential opportunities of merger and acquisition so as to achieve growth from synergy in operations and to develop a more diversified advertising platform.

CORPORATE GOVERNANCE

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") throughout period under review.



Management Discussion and Analysis

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Oriental Patron Asia Limited (“OPAL”), the compliance adviser of the Company, save for an indirect holding of 572,000 shares (the “Shares”) of the Company by an associate (as defined in the GEM Listing Rules) of OPAL, and all of these Shares has been subsequently disposed of after 31 March 2013, neither OPAL nor its directors or employees or associates (as defined in the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2013 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 23 February 2011 entered into between OPAL and Company, OPAL has received and will receive fee for acting as the compliance adviser of the Company for the period from 28 February 2011 (the “Listing Date”) and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year, i.e., the financial year ending 31 December 2013 or until the agreement is terminated in accordance with the terms and conditions set out therein.

DIRECTORS’ INTERESTS IN COMPETING INTERESTS

For the three months ended 31 March 2013, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective associates (as defined in GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the three months ended 31 March 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Management Discussion and Analysis



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary Shares of the Company

Name of director	Nature of interest	Number of shares held	Approximate percentage of shareholding (%)
Mr. Lin Pintong	Interest of a controlled corporation	265,500,000 ordinary Shares (Note 1)	44.25
Mr. Ruan Deqing	Interest of a controlled corporation	265,500,000 ordinary Shares (Note 2)	44.25
Mr. Han Wenqian	Interest of a controlled corporation	9,000,000 ordinary Shares (Note 3)	1.5
Mr. Wang Fuqing	Interest of a controlled corporation	28,638,000 ordinary Shares (Note 4)	4.77
	Beneficial owner	1,194,000 ordinary Shares	0.20

Notes:

- (1) These Shares are registered in the name of Lizhong Limited ("Lizhong"), 47.46% of the entire issued share capital of which is owned by Broad Win Limited ("Broad Win"). The entire issued share capital of Broad Win is owned by Mr. Lin Pintong ("Mr. Lin"), an executive director. Mr. Lin is deemed to be interested in all the Shares in which Broad Win is interested by virtue of the SFO. Mr. Lin is the sole director of Broad Win.
- (2) These Shares are registered in the name of Lizhong, 47.46% of the entire issued share capital of which is owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal is owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan is deemed to be interested in all the Shares in which Joint Loyal is interested by virtue of the SFO. Mr. Ruan is the sole director of Joint Loyal.
- (3) These Shares are registered in the name of Long Sunny Trading Limited ("Long Sunny"), the entire issued share capital of which is owned by Mr. Han Wenqian ("Mr. Han"), an executive director. Mr. Han is deemed to be interested in all the Shares in which Long Sunny is interested by virtue of the SFO. Mr. Han is the sole director of Long Sunny.
- (4) These Shares are registered in the name of Make Sense Group Limited ("Make Sense"), the entire issued share capital of which is owned by Mr. Wang Fuqing ("Mr. Wang"), an executive director. Mr. Wang is deemed to be interested in all the Shares in which Make Sense is interested by virtue of the SFO. Mr. Wang is the sole director of Make Sense.

Save as disclosed above, as at 31 March 2013, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules.

Management Discussion and Analysis



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 March 2013, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in shares and underlying Shares of the Company

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Lizhong (Note 1)	Beneficial owner	265,500,000	44.25
Broad Win (Note 1)	Interest of a controlled corporation	265,500,000	44.25
Ms. Pan Xiaoying (Note 2)	Interest of spouse	265,500,000	44.25
Joint Loyal (Note 1)	Interest of a controlled corporation	265,500,000	44.25
Ms. Liu Sibin (Note 3)	Interest of spouse	265,500,000	44.25
Mr. Kazunari Shirai (Note 4)	Interest of a controlled corporation	49,362,000	8.23
Ms. Junko Shirai (Note 5)	Interest of spouse	49,362,000	8.23
Smartisian Holdings Company Ltd. (Note 6)	Beneficial owner	36,000,000	6.00
Mr. Wang Shouzhong (Note 6)	Interest of a controlled corporation	36,000,000	6.00
Ms. Liu Jumei (Note 6)	Interest of spouse	36,000,000	6.00

Notes:

- (1) These Shares are registered in the name of and beneficially owned by Lizhong, 47.46% and 47.46% of the entire issued share capital of Lizhong is owned by Broad Win and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal is owned by Mr. Lin and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal is deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong are Mr. Lin, Mr. Ruan and Mr. Han.
- (2) Ms. Pan Xiaoying ("Ms. Pan") is the spouse of Mr. Lin. Therefore, Ms. Pan is deemed, or taken to be, interested in the 265,500,000 Shares which Mr. Lin is deemed, or taken to be interested in for the purposes of the SFO.
- (3) Ms. Liu Sibin ("Ms. Liu") is the spouse of Mr. Ruan. Therefore, Ms. Liu is deemed, or taken to be, interested in the 265,500,000 Shares which Mr. Ruan is deemed, or taken to be interested in for the purposes of the SFO.
- (4) Among these Shares, Sequedge Finance Inc. ("Sequedge Finance") is the beneficial owner of 29,185,701 Shares and Sequedge ASA Capital (Cayman) II Limited ("Sequedge Capital") is the beneficial owner of 20,176,299 Shares. Mr. Kazunari Shirai ("Mr. Kazunari") is deemed to be interested in all these Shares by virtue of his interest in 72.08% of the entire issued share capital of Sequedge Finance and 60% of the entire issued share capital of Sequedge Capital for the purpose of the SFO.



Management Discussion and Analysis

- (5) Ms. Junko Shirai (“Ms. Junko”) is the spouse of Mr. Kazunari. Therefore, Ms. Junko is deemed, or taken to be, interested in all Shares which Mr. Kazunari is deemed, or taken to be interested in for the purposes of the SFO.
- (6) These Shares are registered in the name of and beneficially owned by Smartisian Holdings Company Ltd. (“Smartisian Holdings”), the entire issued share capital of which is owned by Mr. Wang Shouzhong. Mr. Wang Shouzhong is deemed to be interested in all the Shares in which Smartisian Holdings is interested by virtue of the SFO. Ms. Liu Jumei is the spouse of Mr. Wang Shouzhong. Ms. Liu Jumei is deemed, or taken to be, interested in all Shares which Mr. Wang Shouzhong is deemed, or taken to be interested in for the purposes of the SFO.

Save as disclosed above, as at 31 March 2013, the Directors are not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by directors throughout the period under review.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. The Audit Committee comprises Mr. Gao Xingbo (Chairman), Mr. Feng Bing and Mr. Chen Shaofeng, all are independent non-executive Directors.

The Audit Committee has reviewed the unaudited results of the Group for the three months ended 31 March 2013. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
China 33 Media Group Limited
Ruan Deqing
Chairman and Executive Director

Hong Kong, 13 May 2013

As at the date of this report, the executive Directors are Mr. Ruan Deqing (Chairman), Mr. Lin Pintong, Mr. Han Wenqian and Mr. Wang Fuqing; the non-executive Director is Mr. Wang Jianqing and the independent non-executive Directors are Mr. Gao Xingbo, Mr. Feng Bing and Mr. Chen Shaofeng.